



Australian Government

Department of the Environment,  
Water, Heritage and the Arts

# **WATER** for the **FUTURE**

## **National Urban Water and Desalination Plan: Implementation Guidelines**

December 2008

# National Urban Water and Desalination Plan: IMPLEMENTATION GUIDELINES

## Enquiries regarding the plan should be directed to:

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Applicants are encouraged to contact the Department early in the process of their application preparation.

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Assistant Secretary  
Urban Water Security Branch  
Department of the Environment, Water, Heritage and the Arts  
GPO Box 787  
CANBERRA ACT 2601

## Disclaimer

This document has been prepared to provide guidance to potential applicants for financial assistance under the National Urban Water and Desalination Plan (the Plan).

The Commonwealth does not take any responsibility for the merits of any application made or project undertaken pursuant to the Plan.

This document should not be construed as financial, taxation, legal or other advice. It is important that you read this document in full before deciding to submit an application. You should seek professional advice from your accountant, lawyer or other professional advisor before deciding to submit an application.

The availability of a tax offset under the Plan is subject to the passage of legislation. At the time of issuing these guidelines, this legislation has not been passed.

Potential applicants should note that information received in connection with an application may also be provided to the Australian Taxation Office, the Department of Finance and Deregulation, and third parties engaged by the DEWHA to assist with the assessment of the applications received.

# National Urban Water and Desalination Plan: IMPLEMENTATION GUIDELINES

## 1. Introduction

The Australian Government is committed to working cooperatively with the states and territories to improve the security of water supplies to Australia's major cities. The Government's Water for the Future plan builds on the National Water Initiative by bringing rural and urban water reforms together.

The National Urban Water and Desalination Plan (the plan) is an important component of Water for the Future and will support initiatives that drive investment in diverse water supply options and encourage industry and the community to save and use water more efficiently. Funding already committed under the plan includes:

- establishment of a centre of excellence in desalination technology in Perth, Western Australia (\$20 million);
- establishment of a centre of excellence in water recycling in Brisbane, Queensland (\$20 million);
- Glenelg to Adelaide Parklands water recycling project in South Australia (\$30.2 million);
- Geelong Shell water recycling project in Victoria (\$20 million); and
- a desalination plant in Adelaide, South Australia, subject to a proposal from the South Australian Government, which meets the plan's criteria.

## 2. Aim

The aim of the National Urban Water and Desalination Plan is to increase the security of water supplies to Australia's cities.

## 3. Objectives

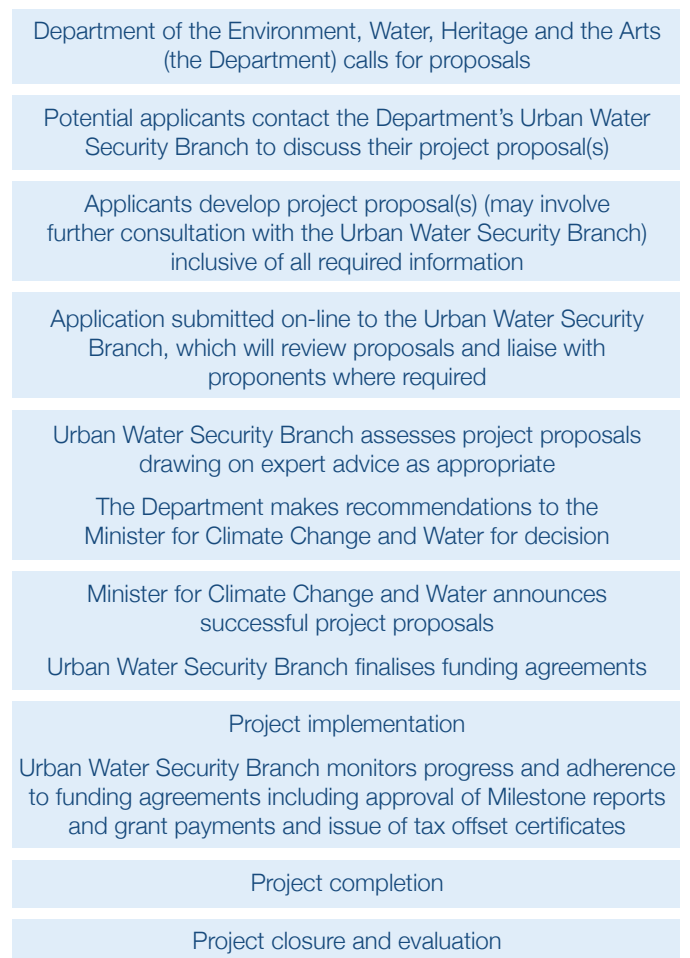
The objective of the plan is to support major desalination, water recycling and stormwater harvesting projects that contribute significantly to achieving the aim of improving security of water supplies to Australia's cities, without adding to greenhouse gas emissions.

## 4. Purpose of this guide

These guidelines are designed to assist applicants prepare their project proposal prior to submission to the Department of the Environment, Water, Heritage and the Arts. Eligible proposals will be considered for assistance under the National Urban Water and Desalination Plan.

This version of the guidelines was published in October 2008. Potential applicants should ensure that they have the current version of the document, as guidelines may be amended.

The following flow chart sets out the process for preparing and submitting a proposal. It is recommended that proponents contact the Urban Water Security Branch of the Department of the Environment, Water, Heritage and the Arts, to discuss any potential proposal before finalising a submission or submitting an application.



# National Urban Water and Desalination Plan: IMPLEMENTATION GUIDELINES

## 5. Eligibility criteria

### To be eligible for approval under the plan project proponents must:

1. be a body incorporated in Australia, including a statutory corporation, a body corporate, or a corporation sole (project proposals submitted by consortia will be considered only if they identify a lead proponent with whom the funding agreement is to be entered<sup>1</sup>);
2. accept the terms and conditions of the standard funding agreement (at **Attachment A<sup>2</sup>**);
3. demonstrate a capacity to deliver the proposed project on time and on budget; and
4. be financially viable and compliant with their taxation responsibilities.

### To be eligible for approval under the plan a proposed project must:

5. use desalination, and/or recycling and/or stormwater harvesting to make a significant contribution to water security;
6. provide water to urban populations of at least 50,000 people;
7. be technically sound and able to deliver the identified outcomes with a high degree of certainty;
8. have eligible capital costs of at least \$30 million;
9. be financially viable once completed with no further call on the Australian Government for on going funding;
10. be completed by 30 June 2014; and
11. source 100 per cent of its energy needs from renewable sources or fully offset the carbon impact of the project's operations.

## 6. Merit criteria

Where all eligibility criteria are met, applications will be assessed on merit using the following criteria (explanatory notes are provided in Attachment B):

1. Level of contribution to enhancing water supply security within the targeted urban area;
2. Cost-effectiveness of the project;
3. Cost-effectiveness of the Australian Government contribution;
4. Demonstrable evidence that the proposed project is a key strategic element of the preferred long-term water supply plan for the area; and
5. Extent of environmental benefits and/or environmental best practice initiatives.

## 7. Governance

The Minister for Climate Change and Water is responsible for approving financial assistance from the plan. The plan will be administered by the Department of the Environment, Water, Heritage and the Arts.

Financial assistance under the plan will be determined through a competitive process and will be provided to successful proponents in the form of grants to public sector entities such as state/territory and local government bodies, and as refundable tax offsets for other entities<sup>3</sup> (grants and tax offsets will be subject to normal taxation treatment).

To claim the refundable tax offsets, the entities will be provided with certificates that will entitle taxpayers to claim the offset in their tax return for the relevant income year. Where the refundable tax offset exceeds any amount of income tax otherwise payable, the taxpayer will receive a tax refund.

## 8. Financial assistance

Financial assistance for approved projects will be:

- capped at 10 percent of eligible capital costs up to a maximum of \$100 million per project;
- available from the 2009-10 financial year and may extend to the end of the 2013-14 financial year (for entities receiving tax offsets payments for milestones completed in one income year would be paid through the tax system upon lodgement of the income tax return in the following income year, therefore no milestones could be scheduled for completion in financial year 2013-14); and
- provided to successful proponents upon achievement of agreed milestones.

Financial assistance, once approved, will be of a fixed value regardless of any changes to the capital costs of the project.

Applicants will be required to declare all sources of funding available to complete the project, including other sources of government funding that has either been requested, approved or received.

<sup>1</sup> In the case of consortia that includes a State or Territory owned corporation an application for funding must be lodged by the relevant State or Territory. If the proposal is successful a funding agreement will be entered into with this State or Territory.

<sup>2</sup> Please note that for those seeking assistance through tax offsets, an agreement modified to reflect this funding model will be required. Such agreement will be developed once the necessary legislative arrangements are implemented.

<sup>3</sup> Provision of funding in the form of tax offsets is subject to the necessary legislative arrangements being implemented.

# National Urban Water and Desalination Plan: IMPLEMENTATION GUIDELINES

Projects that are already seeking approvals, funding or have commenced are still eligible to apply for financial assistance. The proponents of such projects would need to demonstrate that the project would deliver additional benefits as a result of funding under the plan.

The access to funds by state/territory entities will be conditional on the relevant state or territory government's agreement at the Council of Australian Governments (COAG) to further water reforms and/or progress of those reforms. Provision of funding to state/territory entities will be subject to achievement of water reform milestones to be detailed in bilateral agreements between the Australian Government and the relevant state or territory government.

Applicants should be aware that *The National Code of Practice for the Construction Industry, in accordance with the Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry, revised September 2005, reissued June 2006*, applies to projects receiving funding assistance under the plan. By agreeing to undertake the works, you will be taken to have read and to agree to comply with the Code and Guidelines. A copy of the Guidelines appears on the Internet at [www.workplace.gov.au/building](http://www.workplace.gov.au/building).

Applicants should also be aware that only persons who are accredited under the *Building and Construction OHS Accreditation Scheme* are able to contract for building work that is indirectly funded from the Australian Government where:

- (a) the value of the Australian Government contribution to the project is at least \$5 million and represents at least 50% of the total construction value; or
- (b) the Australian Government contribution to a project is \$10 million or more, irrespective of the proportion of Australian Government funding.

More information about the scheme can be found on the Internet at:  
<http://www.fsc.gov.au/ofsc/Theaccreditationscheme/>

## 9. Eligible capital costs

Eligible capital costs are the upfront capital costs incurred prior to operations that are necessary to bring the project to a commercially operable status. They include the costs of construction but not the cost of land. Construction expenditure includes:

- preliminary expenses such as architect fees, engineering fees, foundation excavation expenses and costs of building permits; and
- cost of the structural features that are integral to the project.

The cost of land includes clearing, demolition and landscaping costs.

The ongoing costs, including operation and maintenance, are the responsibility of the project proponents.

## 10. Confidentiality

Applications should indicate which information is considered to be commercial-in-confidence. Commercial in confidence information will only be released to third parties for the purposes of assessment of the application or for consultation with relevant authorities, and will be on a confidential basis.

Applications will not be released to others unless prior consent is given or unless required by law. Applicants should familiarise themselves with the *Freedom of Information Act, 1982*. The Australian Government will draw on non-confidential material related to projects to report on the progress of the National Urban Water and Desalination Plan.

## 11. Publicity

Information on successful applicants, their project and the level of financial assistance awarded to each project will be announced publicly. Successful applicants must acknowledge Australian Government assistance to the project in any related printed material, media releases and website documentation. From time to time successful applicants may be asked to participate with the Government in making information available to the public on the project achievements and outcomes.

# National Urban Water and Desalination Plan: IMPLEMENTATION GUIDELINES

## 12. Application and selection process

Applications for assistance under the plan should be consistent with Explanatory Notes for Application Preparation (**Attachment B**) and must be lodged electronically, through our website at <http://www.environment.gov.au/water/programs/index.html>, by COB, 30 June 2009.

The attachments should be submitted in one of the following file formats: Microsoft Word; Microsoft Excel; or JPEG files. Please note: there is a 4MB size limit for attachments. Information of greater than 4MB may be submitted before COB 30 June 2009 on a CD/DVD to the following address:

National Urban Water and Desalination Plan  
Urban Water Security Branch  
Department of the Environment, Water, Heritage and the Arts  
GPO Box 787  
CANBERRA ACT 2601

All applications must be prepared in accordance with these guidelines and using the electronic application forms.

**Applications that do not meet all eligibility criteria will not be considered.**

Applications will be assessed against the merit criteria outlined in these guidelines (refer Section 5 and Attachment B). Applicants should note that eligibility and submission of an application does not equate to funding approval.

Assessments will be conducted consistent with the Australian National Audit Office's *Better Practice Guide on Administration of Grants*.

Assessments of project applications may draw on independent technical or financial expertise as deemed appropriate by the Department.

Funding recommendations will be submitted to the Minister for Climate Change and Water for approval.

Applicants will be advised of the outcome of their application in writing. It is expected that the assessment and decision making process might take up to six months following the end of period for submitting project proposals (i.e. until 31 December 2009).

## 13. Administration, milestone reporting and evaluation

Successful applicants must sign a funding agreement with the Australian Government. No funds will be payable unless, and until, the funding agreement is signed by both parties. **An offer made to a successful applicant will remain open for 12 weeks after which it will expire if the funding agreement has not been executed.** There is no legally binding agreement between the Australian Government and the project proponents until all parties execute the funding agreement.

The funding agreement sets the terms and conditions under which the Australian Government will provide financial assistance. Specific project milestones will be detailed in a schedule attached to the agreement. In general, project payments will be made upon demonstrated achievement of milestones. The schedule will detail the information required to be submitted against each milestone.

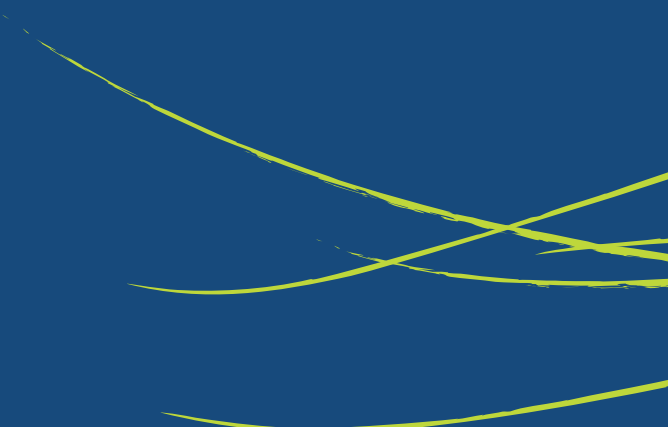
Financial reporting requirements will be included in the schedule attached to the funding agreement and will be included in specific milestones throughout the life of the project. For each financial year during which a project is implemented an independently audited financial statement, which accounts for all project funds, including Australian Government monies spent, will need to be provided.

A final report will be required for each project including a final, independently audited financial statement. The Australian Government may choose to independently audit expenditure on the project at any time throughout the term of the project at its own expense.

The National Code of Practice for the Construction Industry, The Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry, revised September 2005, reissued June 2006, and the Australian Government Building and Construction OH&S Accreditation Scheme will apply to projects that receive financial assistance.

## 14. Attachments

Attachment A – Standard Funding Agreement  
Attachment B – Explanatory Notes for Application Preparation

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<http://www.environment.gov.au/water/programs/index.html>